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AMERICAN POLICY TOWARD HUNGARY

Hungary

Description

A study of United States' interests in and policy toward Hungary, with special reference to the Transylvanian problem.

23 October 1944

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SUMMARY

1. The United States has no direct interest in Hungary. It now appears that the predominant power in Hungary will be the USSR. It is, however, not in the interest of the United States that Hungary be completely drawn into the orbit of the Soviet Union. It must, therefore, be the policy of the United States to contribute to the establishment of a viable Hungarian state after the war by solving "the Hungarian problem." This problem may be solved by the assertion of a well-formulated American policy which should be executed in full cooperation with the USSR and Great Britain. This policy is based upon the following two principles:

(a) to minimize the causes of Hungarian irredentism;
(b) to support the establishment of a democratic Hungarian regime which is not likely to conduct a revisionist foreign policy.

2. Taking the Transylvanian problem as a test case, the causes of Hungarian irredentism could be reduced by the delineation of a new Hungarian-Rumanian frontier. The line could be drawn from thirty to fifty miles east of the Trianon boundary, running along the dividing line between the Hungarian plain and the Transylvanian plateau. Such a frontier would correspond to the recommendations made by American experts at the end of the first World War. Since, however, it is not possible to draw a precise ethnic frontier between Hungarians and Rumanians, an organized transfer of minority population from both sides of the border

would also be desirable.

3. In order to decide upon a combination of Hungarian political groups most deserving of American support and most likely to follow a Western orientation, the following four criteria should be applied:

(a) Does the group have a collaborationist record?
(b) Does the group have a promise of stability as a result of past governmental experience?
(c) Is the group genuinely democratic?
(d) Will the group be acceptable to the post-war governments of neighboring countries?

4. On the basis of these four criteria, it is possible to find five groups in Hungary which may be capable of forming a government. These groups are the Social Democratic Party, the Social Democratic Trade Unions, the Smallholders' Party, the Peasant Union, and the Liberal Bourgeois Party. Since none of these groups has had sufficient governmental experience to offer a fair promise of stability, it would be desirable to support the establishment of a coalition government which, in addition to representatives of the five groups, would also include available non-collaborationist members of the former ruling group. To counterbalance the influence of these men, democratic exiles now in Great Britain and in the United States could be aided in returning to Hungary. Once the coalition government has been established it would be desirable to have it operate under a republican form of government, owing to the fact that the Hungarian monarchy is inseparably associated with revisionism.

5. Since diplomatically, as well as militarily, the United States may be expected to withdraw from southeastern Europe after the war, American post-war policy toward Hungary should be conducted vicariously through the good offices of Great Britain.

AMERICAN POLICY TOWARD HUNGARY

I. INTRODUCTION

At the present time no great power has a direct interest in Hungary. The USSR has an indirect interest, because Hungary is situated in the zone of small powers separating the Reich from the Soviet Union. Russian interests demand not only the expulsion of Germany from this zone but also the prevention of her return. Great Britain has an indirect interest in Hungary because as a Mediterranean power she is concerned about any country situated in the Mediterranean hinterland. British interests, therefore, are not served by Hungary's diplomatic, economic, or political absorption by any great continental power.

The United States has no interests, direct or indirect, in Hungary. On the other hand, since the prevention of a third world war is of primary importance to the United States, ultimate American interests demand that "the Hungarian question" be solved quickly and equitably. Reduced to a simple formula and from the American point of view, this question resolves itself into the following: what shall be done about the existence, in a strategic Danubian position, of a malcontent country, dominated by an anti-democratic ruling group and traditionally allied with Germanic power?

Ultimate American interests in Hungary can be stated only negatively. It is not in the interest of the United States that Hungary should become completely drawn into the

orbit of the USSR. Nor is it in the interest of the United States to have Hungary transformed into a Soviet economic dependency as a result of excessive reparation demands payable in goods over a period of years. The United States, moreover, cannot acquiesce in a unilateral settlement of the Hungarian question by the Soviet Union. Such a procedure might serve as a bad precedent in other instances.

Since to all appearances Hungary's three neighbors -- Czechoslovakia, Rumania, and Yugoslavia -- are on their way toward becoming Soviet spheres of influence, it is highly problematical whether the United States, even if it acts in concert with Great Britain, can prevent the inclusion of Hungary in this sphere of influence. It is quite certain, then, that Soviet influence cannot be kept out of Hungary, regardless of whether it has actually been carried across the physical barrier of the Carpathians. The matter then resolves itself into this: does it follow that Hungary must become an exclusive sphere of USSR interests? Although the United States may accept the predominant position of the USSR in Hungary, it can prevent her complete absorption by the formulation of an American policy, which is opposed to a unilaterial settlement by the Soviet Union of the Hungarian question. The assertion of this policy, however, cannot be delayed much longer, since the Red Army is already on Hungarian soil and since the Western Allies have given tacit recognition to Russian preeminence in Hungary by agreeing on Moscow as the scene of Allied-Hungarian armistice

negotiations.

In order to be successful, American policy toward Hungary should start with the following two postulates:

(a) A settlement of the Hungarian problem can be made only through the full cooperation of the Soviet Union, Great Britain, and the United States.

(b) American policy cannot fully underwrite either Russian or British interests in Hungary but will seek to obtain a frictionless commingling of the two.

The development of an American policy is also dependent upon an understanding of the historical and political issues which have appeared in Hungary. Before examining the policy itself, attention will be directed toward certain past events.

II. THE FIASCO OF 1918-1920

The attempt of the Allies of the first World War to solve the Hungarian problem in what was then considered to be a French sphere of interest, was a failure. This failure was a result of an erroneous policy, which made no attempt to minimize the causes of Hungarian irredentism and withheld support from the democratic Hungarian government of October 1918-March 1919. On the other hand, the establishment of an anti-democratic and revisionist regime was condoned and assisted by the Allied Military Mission in Budapest. Apologists for Allied conduct in Hungary in 1918-1920 stress that, because in those days Allied interests in Hungary were best served by the establishment of a stable government, support and assistance were given to the only Hungarian group which held a promise of stability, the counter-revolutionary faction headed by Admiral Horthy. From the point of view of the criterion applied, the choice proved to be a wise one. The Horthy regime became the most stable governmental system in Europe during the period between the two World Wars. It is often forgotten, however, that this regime owed its stability, first, to its repression and intimidation of all democratic and pro-Allied elements in Hungary; then, to a succession of foreign loans[1] mostly from Great Britain and the United States; and finally, to a policy of collaboration with Germany, culminating in the declaration of war on Great Britain and the United States.

1. See Appendix. An interesting concomitant of this stability was that as soon as the regime became a potential recipient of foreign loans it suppressed its extremist wing (1921) only to call this wing to the government (1932) shortly after the foreign loans ceased.

In adjudging the territorial claims of Hungary's neighbors, the Allies of the first World War showed no appreciation of the disruptive force of Hungarian irredentism and thereby sowed seeds of trouble for themselves. In every instance the new Hungarian frontiers were drawn south, west, or north of the boundaries proposed by American experts. In the case of Transylvania, for example, the new Hungarian-Rumanian border was drawn approximately forty miles west of the line recommended by these American experts. This meant that Rumania received from Hungary not only Transylvania proper, but also the Bánát of Temesvár (Banatul) in the south, the Körös district (Crişana) in the center, and the Máramaros region (Maramureş) in the north. A glance at any ethnographic map will show that the new frontier was drawn with disregard for Hungarian ethnic cohesion. As a result, the western border regions of enlarged Rumania were inhabited predominantly by Hungarians, in addition to the so-called Szekler (Székely) district in the southeastern Carpathian bend, which contained approximately half a million Hungarians. All told, the Hungarian-Rumanian territorial settlement of 1920 placed 1,661,805 Hungarians under Rumanian rule (according to 1910 Hungarian statistics based on the mother tongue).[1] Approximately one million of these Hungarians lived along the new frontier, most of them in the lowland area west of the Transylvanian plateau. Geographically, economically, and ethnically this area was a part of the Hungarian plain.

1. 1,353,276 Hungarians, according to 1930 Rumanian statistics based on racial origin.

The officially fostered Hungarian revisionist propaganda cleverly exploited this absurd delineation of the new frontiers and succeeded in arousing a patriotic fervor throughout Hungary. Concomitants of this irredentism were an increasing antipathy toward the democratic West and a simultaneous rapprochement (1927-1938) with Italy and Germany, the two dissatisfied anti-status-quo European powers. At the time of the Munich crisis, unable to withstand the temptation to regain some of their lost territories, the Hungarians succumbed to a policy of active collaboration (1938-1941) with Germany, which eventually led to Hungarian military participation in the war against the United Nations (1941). Obviously, the territorial aspects of the Hungarian settlement of 1920 were not arranged in congruity with Allied interests in southeastern Europe. Indeed, this settlement provided an entering wedge for Germany into "the middle zone" and was instrumental in turning Hungary into a German satellite.

Nor were the Allies of the first World War more foresighted in their handling of the Hungarian political problem. At the end of 1918, Hungary had a democratic, pro-Allied government under Count Károlyi, which was reconciled to reasonable territorial losses. This government, to be sure, was composed of doctrinaires without governmental experience. Nevertheless, its collapse on 21 March 1919 was a result not so much of its own administrative inaptitude as of Allied lack of sympathy. General Franchet d'Espéray, who, on behalf of the Allied and Associated Powers, negotiated the Hungarian armistice with the new Budapest government in November 1918, treated the head of the democratic Hungarian

government with such disdain and presented him with such harsh terms that, as a consequence, the latter's prestige was permanently damaged in Hungary. During the following three months, three notes from Lt. Col. Vyx, Chief of the Allied Military Mission in Budapest, aided in making the position of this democratic government untenable. The last of these notes, delivered on 20 March 1919, demanded the surrender of further extensive Hungarian areas to military occupation by Rumania and Yugoslavia (then called Kingdom of the Serbs, Croats, and Slovenes), and announced that the new line of demarcation was to be regarded as a political boundary. Unable to accept the new frontiers, the Károlyi government resigned on the following day. It was succeeded by the Communist dictatorship of Béla Kun.

Like the democratic government of Czechoslovakia twenty years later, the democratic government of Hungary in 1919 fell because it was unable to preserve the territorial integrity of the state without the help of the Western democracies, who showed no understanding of the consequences of their policy. In Czechoslovakia, however, the western democracies contributed to the establishment of an authoritarian, anti-Allied government only by default; in Hungary they were active participants in the inauguration of such a regime. The record of their participation may be found in the published diary of General Bandholtz, the American member of the Interallied Military Mission in Budapest at that time. This Mission consented to the establishment of a new Hungarian regime under Admiral Horthy, because he was Commander in Chief of the only organized military force in

Hungary at the end of 1919. It ignored the fact that Horthy was also the representative of the traditionally anti-democratic, authoritarian Hungarian ruling group. The Mission failed to present the case for the work it had done. As a result, a "Horthy legend" arose in Hungary and abroad, according to which Horthy saved Hungary from Bolshevism in 1919 by destroying the Communist regime of Béla Kun. The facts are that the Hungarian Communist regime collapsed on 1 August 1919 as a result of military defeat inflicted by the Rumanian Army, and that the National Army of Admiral Horthy entered Budapest on 16 November 1919, after that city had been evacuated two days before by the Rumanian forces of occupation, at Allied command.

The consequences of this policy became quite obvious fifteen years later, when Regent Horthy became the first head of a foreign state to visit Hitler after the latter's assumption to power in Germany; Hungary, the first state to join the Rome-Berlin-Tokyo Axis. Obviously, the settlement of the Hungarian question in 1918-1920 had been a fiasco.

III. THE TRANSYLVANIAN PROBLEM

As a result of Allied failure to solve the Hungarian problem at the end of the first World War, Hungary lived in a state of constant friction with her neighbors during the subsequent period. She engaged in the Burgenland dispute with Austria. She quarrelled with Czechoslovakia over Slovakia and Sub-Carpathian Russia (Ruthenia). The disposal of the Bácska, Baranya, and Mura regions was disputed with Yugoslavia. The worst quarrel, however, was with Rumania over Transylvania.

As a result of Rumania's defection from Germany the Transylvanian problem has arisen again. In order to determine American policy toward Hungarian boundary questions, it may be worthwhile to examine this problem in detail. Transylvania, in its broadest usage, refers to the geographical region enclosed by the Carpathian barrier in the east and by the pre-Munich frontiers of Czechoslovakia, Hungary, and Yugoslavia in the west.[1] Both Hungary and Rumania have well substantiated claims to this area, which covers 39,452 square miles of territory and includes a

1. Geographically and historically speaking, Transylvania is only a part of this area: the mountainous plateau lying between the great southwest bend of the Carpathians and the western edge of the Hungarian lowland as marked by the Bihar mountains.

population of 5,548,363.[1] In a sense, Transylvania is a small powers' Alsace-Lorraine. It is a "lost province" coveted by two contestants, who, however, are unable to settle the question by themselves and must expect satisfaction of their conflicting claims from the great power or powers which dominate the entire region. These conflicting claims cannot be satisfied by giving all of Transylvania to one of the contestants (as was done by the Allies of the first World War at Trianon in 1920); or by dividing the province between the two rivals (as was done by Germany and Italy in Vienna in 1940).

Both of these solutions were primarily of a political nature. The first embittered Hungary, and along with certain other provisions of the 1920 settlement, conditioned her to become an enthusiastic collaborator with the German Reich. The second Vienna Award did not satisfy either Hungary or Rumania, and raised the mutual hatred of the two countries to a fever pitch.

After the cessation of the present hostilities two possible solutions of the Transylvanian problem present themselves: one ideal, one political. The ideal solution is the establishment of Transylvania as a autonomous unit of a federation[2] of which both Hungary and Rumania are members.

1. Rumanian census of 1930.
2. For the federative plan of southeastern European reconstruction, see Oscar Jaszi, "The Future of Danubia," Journal of Central European Affairs, July 1941.

Transylvania has been an independent state before; it has an area and a population larger than those of Switzerland; it has rich economic resources, an incipient industry, and possibilities for a tourist trade. There is no reason why Transylvania should be governed from either Budapest or Bucharest and not from its own traditional capital, Kolozsvár (Cluj), especially in view of past Hungarian and Rumanian inability to come to an agreement over the question of sovereignty.

The political solution of the Transylvanian problem may be effected by awarding the entire province to the claimant which is the quicker and the readier of the two to accept the demands, and to conform to the interests of the great power dominating the region. Since Russian interests in southeastern Europe are well served by this solution, it has been chosen by the USSR. In doing so, the Soviets have been consistently following their new western border policy, which appears to be based on territorial compensation to "middle-zone" powers in the west for losses suffered in the east.

The future disposition of Transylvania is being provided for in Article XIX of the Rumanian armistice agreement, which states that "the whole or major part of [this province] is to be returned to Rumania, which is to be confirmed in the course of a peaceful settlement." This formula was subsequently described by Secretary Hull as being "in line with the American policy that territorial settlements should be a matter of general discussion and decision after the end of hostilities."

Mr. Hull's statement has two important implications. First, it infers that the Transylvanian problem must be settled in a multilateral manner. Secondly, it implies that the United States wishes to minimize the possible detrimental effects of the political solution chosen by the USSR. The most detrimental effect of giving Transylvania to Rumania in toto may be the rise, or rather the rebirth of, Hungarian irredentism. Since Hungarian irredentism became the most powerful irritant in the southeastern European body politic, and since United States' interests demand the pacification of this region, these interests will be best served by (1) minimizing the causes of Hungarian irredentism, and (2) supporting the establishment of a democratic Hungarian regime which is not likely to conduct a revisionist foreign policy.

IV. POST-HOSTILITIES DESIDERATA

At the end of the first World War the southeastern European settlement was made without effective American participation for the United States Senate refused to ratify the Treaty of Trianon. In 1920 the territorial claims of Rumania, Czechoslovakia, and Yugoslavia were sponsored by France and although, in the opinion of American experts, these claims were excessive, the influence of the United States was not strong enough to obtain an equitable settlement. At the present time the territorial claims of the same states are being actively sponsored by the USSR. Since it is not in the interest of the United States that Hungary should be completely absorbed by the USSR, it would be desirable, through the assertion of a well-formulated American policy, to avoid a unilateral settlement of the problem. As stated above, this American policy should rest on two pivots: (1) the minimization of the causes of Hungarian irredentism, and (2) the inauguration of a democratic pro-Allied Hungarian government.

Taking the Transylvanian problem as a test case, American influence can contribute to the minimization of the causes of Hungarian irredentism by obtaining a new Hungarian-Rumanian frontier. In order to achieve its aim, American policy will have to reject both Hungarian and Rumanian maximal claims. The former are represented

by the frontiers of 1914; the latter, by those of 1939. An improved frontier may be obtained by applying two criteria: the maintenance of the geographical and economic continuity of the Hungarian lowland; the preservation of both Hungarian and Rumanian ethnic cohesion.

The first criterion may be applied without much difficulty by advancing eastward the 1939 Hungarian-Rumanian frontier approximately thirty miles at both ends and approximately fifty miles at the center, until it reaches the Királyhágó pass at the latter point. The new frontier thus obtained would mark the end of the agricultural lowland area and the beginning of the Transylvanian plateau.

The application of the second criterion is much more difficult. The major difficulty one must face is the impossibility of drawing a perfect ethnic frontier between Hungarians and Rumanians. The establishment of a new Hungarian-Rumanian frontier, such as recommended above, would be a definite improvement upon the 1939 boundary line from the ethnographic point of view, but it would still leave a considerable Hungarian minority in Rumania, and a smaller Rumanian minority in Hungary. Most of this Hungarian minority would be concentrated in the so-called Szekler (Székely) region, situated in the southwestern bend of the Carpathians. This difficulty, however, could be surmounted by an organized transfer of populations. The Szeklers and other Hungarians remaining on the Rumanian

side[1] of the frontier could be shifted to the lowland area west of Királyhágó pass at the convergence of the Meszes, Réz, and Bihar mountains; the Rumanian minority in Hungary could be moved eastward to fill the gaps created by the removal of the Hungarian population from Transylvania proper. In this manner a well-nigh perfect ethnic boundary could be created, coinciding with the geographical and economic dividing line between the Hungarian plain and the Transylvanian plateau. The large lowland urban centers Arad, Nagyvárad (Oradea Mare), and Szatmárnémeti (Satu Mare) would fall to Hungary; the Transylvanian cities of Kolozsvár (Cluj), Brassó (Braşov), and Nagyszeben (Sibiu) would become Rumanian. Deprived of their ethnic, economic, and geographical arguments, neither Hungarian nor Rumanian revisionism could thrive in the post-war world.

In approaching the question of Hungary's post-war government, American policy will be faced with a much more difficult problem. In the first place, any attempt to solve this problem imposes a very serious responsibility on the outsider in view of the characteristic Hungarian readiness to accept any type of political leadership which appears on the scene invested with the signs of authority and backed by some great power. The last demonstration of

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1. Much of this transfer has already taken place in the form of civilian evacuation at the time of the Russian crossing of the Carpathians.

this tendency occurred in 1918-1920 and the results obtained by the Allies of that time were far from desirable. In the second place, the Soviet Union, perhaps only temporarily, seems to have evolved a Realpolitik for dealing with the top strata of repentant German collaborationist regimes in the already defeated countries of the Axis combination. If this Realpolitik should lead to the restoration of the Hungarian regime headed by Regent Horthy, which was overthrown by the Germans on 15 October 1944, the results would not be desirable from the American (and British) point of view. Consequently, here too there is need for the assertion of a well-formulated and cautious American policy.

The next question involves the choice of personnel and the type of government. By applying a fourfold test to the various Hungarian parties and organizations, American policy should be able to decide upon a combination of groups most deserving of American support and once invested with authority, most likely to follow a Western orientation. The criteria to be applied to the various Hungarian groups should be the following: (1) Does the group have a collaborationist record? (2) Does the group give promise of stability as a result of past governmental experience? (3) Is the group genuinely democratic? (4) Will the group be acceptable to the post-war governments of neighboring countries? The application of the first criterion leaves five groups for consideration: the Social Democratic Party,

the Social Democratic Trade Unions, the Smallholders' Party, the Peasant Union, and the Liberal Bourgeois Party. All these groups were banned at the time of the German coup in Hungary on 19 March 1944, and their leaders either were arrested or went into hiding.

The Social Democratic Party had five members in Parliament on the eve of the German occupation, but this small representation was not indicative of its true strength, which was growing apace throughout 1943 and in the winter of 1944. The Social Democrats have had no governmental experience -- except for one week in August 1919 -- and consequently their potential stability as a governing group is open to question. On the other hand, the Social Democratic Party is genuinely democratic (it is a member of the Second International) and would in all likelihood be acceptable to the post-war governments of neighboring countries. The leaders of this party were Károly Peyer, Anna Kéthly, and Árpád Szakasits.

The Social Democratic Trade Unions controlled the party, and at the time of the German occupation comprised approximately half a million industrial workers.[1] The Trade Unions have had no governmental experience, and even though they are the only Hungarian organization with a long record of genuine self-government, their potential

1. The industrial population of Trianon Hungary, including dependents, was 21 percent of the total. The workers organized in the Social Democratic Trade Unions, together with their families, constituted less than one-half of this percentage.

stability as a governing group is questionable. The Social Democratic Trade Unions are genuinely democratic and would probably be acceptable to Hungary's neighbors. The most important Socialist Trade Union leaders (in addition to the Party chiefs given above) were Lajos Kabók, Géza Malasits, Ferenc Szeder, Manó Buchinger, Illés Mónus, Rudolf Gyürey, Sándor Karácson, and János Török.

The Smallholders' Party had fourteen members in Parliament at the time of the German coup of 19 March 1944. This representation was roughly consonant with the national strength of the party. Although the party leaders claimed to speak for the entire agrarian population of Hungary (about 51 percent of the total population before Munich), they actually represented only the proprietary peasantry (about 8 percent of the total population before Munich). The party participated in the government after 1920 but since such participation was always under the aegis of the ruling group, its potential stability as part of a government is not very promising. Nor is the party genuinely democratic, although in reaction to German encroachment since the middle thirties it has been moving more and more in the direction of democracy. As a result of this tendency, the party would probably be acceptable, with some reservations, to the post-war governments of the neighboring countries. These reservations would be evoked by the strong revisionist views held by certain of the party leaders. The most outstanding leaders of the party, Endre Bajcsy-Zsilinszky, Zoltán Tildy

(a Calvinist pastor), and Béla Varga (a Catholic priest), disappeared at the time of the German occupation on 19 March 1944. Tibor Eckhardt, the discredited leader of the party, is now in self-imposed exile in the United States.

The Peasant Union comprises the lower strata of Hungarian peasantry, which had never been adequately represented by the Smallholders' Party. At the end of October 1943, the Union could boast of several hundred thousand members. Since the German occupation, the Union has probably gone underground. This organization has had such a brief span of self-governing autonomy that its potential stability as a governing group is open to serious question. As a genuinely democratic formation, noted for its sympathetic attitude toward the minority populations of Hungary, the Union would very likely be acceptable to the post-war governments of Hungary's neighbors. The most outstanding leaders of the Union were Ferenc Nagy, Imre Kovács, and the somewhat discredited Péter Veres.

Since early 1943 the Social Democratic Party, the Social Democratic Trade Unions, the Smallholders' Party, and the Peasant Unions have been acting in concert, within the framework of the so-called People's Front. Before the occupation this Front was a fast-growing oppositional bloc, which set itself against external collaboration and internal nazification. At the time of the German coup the Front probably went underground.

The fifth group to be considered, remained outside the People's Front, allegedly because of its leader's reluctance to accept a subordinate role. This group was the Liberal Bourgeois Party of Károly Rassay, which had five members in Parliament in March 1944. At that time the party was dissolved and its leaders disappeared. Since this party had neither broad popular basis nor governmental experience, its potential stability is extremely doubtful. Being of a conservative-democratic hue and strongly anti-Nazi in sentiment, the Liberal Bourgeois Party would probably be acceptable to the post-war Czechoslovak, Yugoslav, and Rumanian governments. The most outstanding leaders of the party besides Rassay were Count György Apponyi, Gusztáv Gratz, Ernő Bródy, and Rezső Rupert.

From the foregoing analysis it appears obvious that, although the five potential government-forming groups in Hungary have no collaborationist taint, are democratic in character, and will probably be acceptable to the post-war governments of Hungary's neighbors, none of them has had sufficient governmental experience to offer a fair promise of stability. This defect could be ameliorated by the establishment of a coalition government, which, in addition to representatives of the five groups, would also include available non-collaborationist members of the former ruling group. The most outstanding Hungarian personality of this type is the former Prime Minister, Count István Bethlen,

a clever and experienced administrator. Another likely prospect is Miklós Kállay, the Prime Minister on the eve of the German occupation, a limited collaborationist malgré lui. Kállay's Minister of the Interior, Ferenc Keresztes-Fischer May also receive consideration.

Counterweight to the influence of members of the former ruling group in the projected coalition government could be provided by facilitating the return to Hungary of democratic exiles now in Great Britain and in the United States. The most outstanding personalities among these exiles are Count Mihály Károlyi (London), Professor Oszkár Jászi (Worcester, Massachusetts), and Professor Rusztem Vámbéry (New York City). Tibor Eckhardt, another (although not a genuine) exile, has become the center of such an exacerbated controversy and is so decidedly persona non grata with the political leaders of the former Little Entente Powers, that his presence in a post-war Hungarian government would be a source of unnecessary irritation. Of the great number of dissident Hungarian diplomats now abroad, Antal Balásy (Washington, D. C.) is probably the most sincere and the least compromised. The influence of the non-collaborationist members will be counterbalanced also by the probable return of Communist exiles from the USSR. Since the reported death of Béla Kun, the most important Hungarian Communist in Russia has been Professor Jenő Varga, the economist, who will probably not wish to

return. Besides him there are in the USSR at the present time some Hungarian journalists of radical persuasion: Rákosi, Gábor, and Balázs. These men are not of political timber, but their presence in Hungary, coupled with their journalistic and literary endeavors, will contribute to the creation of a new political, pro-democratic atmosphere.

Without doubt, the post-war Hungarian government can be conceived of only as a coalition of uncompromised, non-objectionable, and experienced elements. The core of this coalition will have to consist of industrial and agrarian reformists. If American policy does not succeed in securing the loyalty of these two elements in return for American support, they will turn to the USSR to achieve their social and political aims.

The last issue with which American policy will have to concern itself is the question of the post-war form of the Hungarian government. It is not desirable that the regency should be prolonged; this makeshift political institution has become associated with an air of unsettled expectancy and restless aspiring. A choice will have to be made by the Hungarians themselves between the monarchical form of government -- traditional in Hungary -- and the republican state form, briefly tried in 1918-1919. American policy, if it precludes a revisionist Hungary, should provide support for these Hungarians who are devoted to the republican principle. The Hungarian monarchy is inseparably associated with Hungarian rule over the entire Carpathian basin. A King of Hungary, who wears the Holy

Crown of St. Stephen and does not rule over the Realm of St. Stephen, would be an anomalous and irritating reminder of frustrated national aspirations to himself and to his subjects. American interests in Hungary would therefore be better served by the establishment of a republic which turns its back on the past and faces the realities of the future.

V. CONCLUSION

Prolonged peaceful collaboration between three world powers such as the United States, Great Britain, and the Soviet Union is not possible without precisely delineated regions of influence. Hungary, being situated in a geographical area where there is not yet a clear line of regional demarcation, provides a minor but interesting test case of the principle involved. Granted that it is not in the interest of the United States to see Hungary fully absorbed by the USSR, American policy has little to lose and much to gain by making a strong assertion of American interests in Hungary. If this policy attains its objective, the Soviet region of exclusive influence will stop at the Hungarian-Rumanian frontier and a precisely delineated Russian orbit will have been obtained. If this policy does not attain its objective, the Soviet region of exclusive influence will probably extend as far as the Austrian-Hungarian frontier, but a delineated Russian sphere will still have been obtained.

The United States is a recurrent European power. It becomes a European power when a threat to the vital interests of its indispensable ally, Great Britain, enters the danger stage; it ceases being a European power when, the threat having been eliminated, the last American army is withdrawn from European soil. This general principle determines the form of American policy toward Hungary. This policy can and should be

conducted directly until the time of American military withdrawal from the European continent. After such time, it should be pursued vicariously, through the good offices of the British ally. Briefly stated, this policy should aim at breaking the power of the ruling group and at setting up a democratic, non-revisionist regime. If well planned and consistently executed by the three great powers, this policy can achieve not only a solution of the Hungarian question but also a smooth commingling of British and Russian influence along the course of the Middle Danube.

APPENDIX

In 1924, Hungary's appeal for financial help was approved by the League of Nations because two stipulated conditions had been fulfilled: first, Hungary had a "strong, stable, and drastic government";[1] second, Hungary had signed a political protocol promising to establish satisfactory political relations with her neighbors. In return, the western powers and their eastern allies gave Hungary political guarantees and agreed to a reduction of her obligations on reparation account, whereupon the League of Nations guaranteed a 250-million Kronen ($50,000,000) loan to Hungary. The work of the League Finance Committee was largely inspired by the Bank of England, which had advanced Hungary some money even before the loan was floated. London financed more than half of this loan, whereas New York took over 7.5 million dollars. Many other loans followed and Wall Street underwriters secured for the American creditor a much higher part than London was able to finance. America had only a commercial interest in this financing, which later proved to have been misconceived.

From 1924 until 1931 Hungary, like most other Central European countries, lived on foreign loans and enjoyed a borrowed prosperity. Her foreign indebtness, in 1931, totalled over 4 billion pengö (roughly $700,000,000), of which the state

1. Sir Arthur Salter, "General Survey," in League of Nations, Financial Reconstruction of Hungary, (Geneva, 1926).

and other public bodies had contracted about half (mostly in the form of long-term bonded debt) and banks and private debtors the balance.[1] Of the bonded debt ($500,000,000), the United States had loaned 50 percent, England 30 percent, and the balance was divided among other European creditor nations. The last bond issue took place in 1928, but in 1930 and 1931 Hungary received some more foreign credit through the sale of treasury notes and in the form of credit arranged by the Bank for International Settlements, in which the Federal Reserve Bank of New York participated. The summer of 1931 marked the end of foreign credits and the beginning of a new trend in Hungary's credit policy toward domestically financed expansion.

1. League of Nations Financial Committee. Report on the Financial Position of Hungary (Geneva, 24 October 1931).